July 19, 1961

Investor's Reader

For a better understanding of business news

SMITH RICHARDSON
WRITES RXM
PRESCRIPTION
(see page 21)

MOBAY LIFT

The object of this young lady's gaze is a lift for her shoe made of Texin rigid urethane elastomer. The moldable plastic offers her longer wear than rubber lifts, better traction on slippery floors than steel lifts (also no threat of sharp, snagging edges), according to the plastic's manufacturer, Mobay Chemical Company.

Chemist Mobay (IR, Feb 3, 1960) is the growing child of distinguished parents Monsanto Chemical of St Louis and Farbenfabriken Bayer AG of Germany. Founded in 1954, the 50-50 owned subsidiary has manufacturing facilities in New Martinsville, W Va and offices in Pittsburgh. Specialties of the house are urethane chemicals and polycarbonates. Plant capacity for tolylene diisocyanate, the principal ingredient of urethanes, has grown to 40,000,000 pounds a year from an original 10,000,000 in 1956, is slated to reach 50,000,000 this Fall.

Exact figures on Mobay volume and income are not available. But the parents do admit Mobay achieved profitable operation in 1958 and made gains in sales and earnings both in 1959 and 1960. Farbenfabriken Bayer states in its annual that Mobay's total capital stock amounts to $20,000,000 which might be a rough indication of the combined sum the two companies have invested in Mobay.

Mobay's competitors in the urethane field are duPont and Allied Chemical (with capacity approximately equal to Mobay's until the latter completes its new expansion plans) and Nopco Chemical. Shoelifts aside, urethane plastics have taken big steps in the foam furniture cushioning and wall insulation markets, are wetting a toe as a flotation material for pleasure boats & accessories. It has even invaded the world of modern art. West Coast muralist Rogor Bolomey had made a large abstract relief to show its possible use for decoration in lobbies, foyers of commercial buildings. Another use: a portable geodesic dome 28 feet high and 80 feet in diameter. Parent Monsanto has been acting well in recent Big Board dealings, sells near its 1961 high of 54. Farbenfabriken Bayer's American Depositary Receipts are trading over-the-counter around 92 bid, 95 asked as against a high of 106.

Accepted as controlled circulation publication at Poughkeepsie, New York. INVESTOR'S READER published fortnightly. This issue dated July 19, 1961.

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No 2, Vol 37 July 19, 1961

BUSINESS AT WORK

ADVERTISING
The Cost of Change

THE RUG can snap from under a profitable business with shocking celerity. Hunt Foods & Industries of Los Angeles last year acquired Wesson Oil & Snowdrift of New Orleans. For 30 years New Orleans-rooted Fitzgerald Advertising Agency had handled the Wesson account. Hunt decided to move Wesson's marketing staff to Fullerton, Cal, asked Fitzgerald to move too. Fitzgerald found it too costly, gave up the account. Coupled with some incidental losses, this cut billings from $14,000,000 to $2,000,000.

CREDIT
Diners' Club Annual Fare

PARK AVENUE'S posh Sheraton-East Hotel (formerly the Ambassador) was the spot Diners' Club Inc picked for its annual stockholder meeting two weeks ago. No doubt the choice was facilitated by the fact Sheraton Corp owns 172,000 Diners' Club shares (12%) which the hotel chain received in late 1958 in exchange for its credit card operation.

Present at the affair were Diners' Club president Alfred S Bloomingdale who holds 20% of the company stock as well as co-founder and chairman Ralph E Schneider who holds 21% of the stock. Well-tanned Ralph had celebrated his 52nd birthday the night before but looked none the worse for the festivities. The paltry 25-member attendance prompted president Bloomingdale to declare: "I would like to see more stockholders here."

Present or not, the 3,500 Diners' Club shareholders are undoubtedly very much aware of one thing: their Big Board stock has dropped 50% from its 1959 high to sell around 20 at presstime. The slide accompanied reports of lower profits in the year ended March along with still hotter competition from American Express and Hilton Credit (Hilton Hotels

Creditors Schneider and Bloomingdale

owns 33%), both 1958 credit card debutants (IR, Dec 10, 1958). Until then, Diners' Club virtually had the field to itself.

In the March 1961 year Diners' Club cardholders charged 8.5% less than the year before for a total of $151,500,000. Diners' net profits slipped 4% to $1,900,000 or $1.34 a share. The eleven-year-old company makes its money from the 7-to-10% commission it charges member establishments on bills plus the annual $5 cardholder fee.

A major problem is the rising wave of delinquent accounts. Diners' Club regularly sends its member establishments a list of cardholders who should be denied credit. In fact, Diners' will pay $25 to the establishment whose agile or brave cashier "picks up" a deadbeat card and returns it to the company. The latest list contains about 400 names printed on pink paper in very small type. Diners' Club is not alone—the American Express list of delinquent, lost or stolen cards is about 1,000 names long; Hilton Credit also has a deadbeat roster.

At the annual meeting chairman Schneider commented: "When times go bad, people go bad too." In any case Diners' Club had to increase its 1961 fiscal year reserve for doubtful accounts by 23% to $1,380,000. Otherwise, profits would have been a bit higher despite lower volume.

Ralph Schneider finds his company's collection trend "more favorable. We may be able to reduce the reserve this year." He allows: "Our rejection ratio of applicants is almost double that of a year and a half ago." Admittedly the company let down its credit standards and "entered the competitive race to add cardholders" when American Express and Hilton stormed on stage. "Now we are more discriminating because we found there was no point in adding unprofitable volume."

Plaudits for the Club

Diners' Club can take a bow—it is the only major credit card company which has made money. Am Ex losses have been offset by its established global travel and banking operations. Hilton estimates a fiscal 1961 deficit of $4,000,000 after a $4,500,000 reserve for delinquent accounts. Diners' is also the largest operator with approximately 65,000 charge establishments and 1,200,000 cardholders. American Express is next with 800,000 card-carriers followed by Hilton with 425,000 paid members.

Diners' Club has talked merger with both its rivals. Am Ex discussions were terminated in February. And Ralph Schneider allows: "There is nothing imminent with Hilton."

Returning to his own operations

Ralph Schneider noted "on lower volume in April we earned the same as last year * * * This is very gratifying." For the full year "with a turn in the economy we could do as well as or a little better than last year."

Wider profit margins are the result of "internal economies. We have eliminated unnecessary supervision, a lot of red tape, useless promotions—maybe 50 or so things altogether." Another economy: by year-end all Diners' Club establishments will have electronic imprinters (made by Dashew Business Machines of Los Angeles) to quickly record the customer's name and number on the bill. Predicts Al Bloomingdale: "This will save us a lot of expense in adjustments, looking up and checking names, etc."

Diners' Club has also cut out "some unprofitable volume." Specifically: "We found the risks greater and commissions lower on travel volume. We still offer the service but are not actively promoting it."

Another area where Ralph Schneider "would like to see volume reduced" is in the business which Diners' Club members do abroad. Because it attracts new members, "the service may be profitable but there are many problems in dealing with people thousands of miles away." As for the proposed tighter expense account rules (Uncle Sam's preference for written proof boomed the credit card business) the credit executive says: "If they placed a stringent per diem limit, this would of course hurt us but I think legislation will be limited to excesses such as yachts and hunting lodges."

Even though Ralph Schneider looks for "continued growth" in credit cards, "we have decided it's time to expand into other categories." The first result was the June purchase of New York's Simpson Factors Corp, a commercial finance and factoring concern. The purchase was made "for about 34,000 of our shares we repurchased from a stockholder." Simpson last year had $40,000,000 volume and earned "about $100,000 which is just about the ratio of profit in that business." Ralph Schneider intends "to use Simpson as a nucleus for expansion." Possibilities: personal loans and more factoring outfits.

The chairman favors "acquisitions which have kinship to our company but this is not necessarily a requisite." In a few years hence "you will find us in much more expanded operations in various directions."

ELECTRONICS
Transistor Flood

WITH THE PLETHORA of electronic companies on the US scene, at least one of their items is currently the object of rough price competition. It is the semiconductor, the tiny but vital part which controls the flow of electricity. One sign of the times: last month electronician Thompson Ramo Wooldridge announced it was devaluating the inventory of its Pacific Semiconductors subsidiary by some $3,000,000 because of "the deteriorating price structure in certain segments of the semiconductor business where sell-

ing prices recently have borne little relationship to manufacturing costs."

Best known to the layman and most common of the semiconductors is the transistor. As can be seen in the accompanying table, unit and dollar sales have soared in its brief history. But the average price per unit has steadily decreased except for 1959 when many new products were introduced and the defense program was stepped up. The 1960 drop was fairly sharp and so far this year the price is decreasing at an accelerated rate.

Aside from the fact that domestic competition is keen due to the nearly hundred large & small companies in the field, price cutting has also been stimulated by improved manufacturing techniques which have tended to standardize production. Demand for transistors is heaviest from defense and industry but the entertainment field takes a share too —mainly in radios. In this cheaper, less complex market there has been quite a bit of competition from Japanese models.

TRANSISTOR TREND

	Units	Dollars	Average Unit Price
	(Factory sales in thousands)		
1954	1,318	$ 5,122	$3.89
1955	3,647	12,253	3.36
1956	12,840	37,352	2.91
1957	28,738	69,739	2.43
1958	47,051	112,730	2.40
1959	82,294	222,010	2.70
1960	127,929	301,432	2.36
1961 (4 mos)	55,500	106,000	1.91

RETAIL TRADE
Safeway Schedule

THE REGISTERS at Oakland, Cal headquarters of No 2 supermart chain Safeway Stores rang up a cheering score for the 24 weeks ended June 17: earnings of $1.18 a share *v* $1.14 on a 3.6% rise in sales.

The resumed uptrend pleased 57-year-old chairman-president Robert Anderson Magowan who had been frankly "disappointed in our 1960 performance." Although Safeway boosted sales 3.6% last year to a record $2.5 billion, profits dropped to $34,800,000 or $2.72 a share from the 1959 peak of $2.80. This was the first decline in the five years Bob Magowan has headed Safeway. Primary causes: "Sales were just harder to get and led to competitive price cuts. The recession hit some areas and there were more new competitive stores than in any year I recall." Also 1960 had a 52-week accounting period *v* 53 in 1959.

Even so, Safeway's record for the past five years shows substantial growth. Sales have risen 27% from the $1.9 billion of 1955. More important, profits in the period have multiplied 2½-fold from $13,600,000 or $1.08 a share (adjusted for a 3-for-1 split in 1957). Of direct stockholder interest, dividends have "been increased each year of the past four," have nearly doubled from the 1955 level of 20¢ to the present 37½¢ quarterly; the 12,400,000 common shares are up from a 1955 low of 14 to a recent 48.

Coming to Safeway directly as its chief executive officer, chairman-president Magowan is, as he engag-

ingly told Wall Street analysts a month ago, "a relative newcomer to the grocery business. How I got my present job deserves some explanation." The brief explanation, familiar to many of his hearers, was as follows: "Merrill Lynch's late founder Charles E Merrill was also co-founder of Safeway and until his death in 1956 remained Safeway's largest stockholder. And just 26 years ago today I married Mr Merrill's only daughter."

Harvard-trained Magowan's "other" qualifications include seven years as an R H Macy executive, a year in advertising, three prewar years at Safeway "in all sorts of jobs" and 17 years (less time out for the Navy) at Merrill Lynch where he headed the sales division before assuming the Safeway task. He is still a non-voting stockholder of Merrill Lynch.

While the improvements since 1955 have been "most gratifying to present management," Bob Magowan is more concerned with the "spectacular growth ahead" he sees for the industry and particularly for Safeway. As for increasing competition and the threat of supermarket saturation which has led some industry analysts to suggest more limited gains for food chains in the future: "Historically this problem of too many stores tends to correct itself in growth areas. Safeway is fortunate in having so many of its stores in the West where growth is assured." With 44% of its present 2,216 stores already in the West Coast, Texas and Albuquerque-Phoenix areas, Safeway intends to pursue further

Safeway Salesman Bob Magowan

this geographic advantage and to put "two-thirds of our new stores there."

But actually, "our most successful operation" is not out West but in the Washington, DC area, Safeway's only Eastern territory outside the overly competitive, slower moving Greater New York region. Major expansion is planned in the national capital and its fast-growing suburbs.

Bob Magowan is also delighted with the first two stores opened in Anchorage, Alaska last year ("the only trouble is we didn't build them big enough"). A third store in Fairbanks is slated to open in early Fall. Safeway is contemplating entering State No 50, probably in the Honolulu area.

Safeway also expects to benefit from the general trend of its industry. Bob Magowan points out gro-

cery store sales in the past decade rose 83% compared to a 19% population increase and 68% gain in total consumer spending: "That's triple the rate of population growth." For the current decade he looks for a further volume gain of at least 40-to-55%. One contributor: "the rising standard of eating." Last year retail food stores accounted for a quarter of all US retail sales and of that, 40% or a whopping $21.4 billion was from food chains.

Sales Stability

Besides this "built-in growth" president Magowan feels the industry offers "relative stability of sales volume." Though profit margins are extremely low, he emphasizes the industry's "characteristic high rate of turnover of assets assures a good rate of return on invested capital."

More specifically, he notes 14 major food chains last year realized a net profit of only 1.31¢ out of each sales dollar but managed to turn over their net assets ten times during the year. As a result, the supermarts realized an average 13.1% return on their net assets, a ratio at least as favorable as for any retail group or, for that matter, most other industries. Two examples cited by the Safeway boss: five department store chains last year netted 3.01% on sales but turned over their assets only three times in that year, thus ended up with only 9.2% return on net assets; druggist Merck earned a rich 12.75% on sales but a 1.2 times turnover meant a 15.3% return on assets, little above the food chain average and about even with Safeway.

Not that Bob Magowan underrates the importance of profit margins. One of the top achievements of the past five years was to bring the ratio from a mere seven-tenths of 1% in 1955 to a slightly-better-than-industry 1.41% last year. And he is thoroughly aware of the great leverage provided by the high-volume supermarket business where a very small change in margins can bring a vast shift in profits. His immediate aim is to return at least to the 1.50% margins attained in 1958-59 and he happily reports "they have shown an upward tendency in recent weeks and should keep improving."

In addition Safeway counts on setting new volume records, abetted by the latest chapter in its active building program ("60% of our stores are less than ten years old") which this year calls for 170 markets, the closing of "possibly around 125." All told grocer Magowan hopes for a 4-to-5% sales gain in 1961. Coupled with the somewhat wider margins, "now that we have an improvement of a few cents a share at the half-way mark, I certainly expect our 1961 results to compare favorably with those reported for 1960."

As he gazes further into the future, forceful Bob Magowan considers annual sales gains of $150-to-200,000,000 a "reasonable prospect" and emphasizes "Safeway plans to benefit fully from our singularly favorable position" during the coming decade of industry and national growth. Then again with characteristic candor he adds: "I've been a salesman all my life and a salesman just has to be an optimist."

WALL STREET
New Status Suits EBS

THIS YEAR'S annual meeting of Electric Bond & Share—its 56th—marked the "end of an era of 22 years of trying to change from a utility holding company into an investment company" according to Harvard-educated president George Walker. He explained virtues of the new arrangement to the stockholders: "First, management is now free to * * * develop the company's potential for growth as a broadly based business enterprise. Second, the new status gives the company far greater latitude in future acquisition plans."

George Walker also reported each of Bond & Share's 5,250,000 common shares had a net asset value of $35.31. This was made up of:

- A portfolio of stocks in 39 companies (43% of net assets).
- Ownership of three engineering-construction companies (15%): Chemical Construction Corp, Ebasco Services and Walter Kidde Constructors.
- A half interest in Escambia Chemical Corp (9.3%) with United Gas owning the other half.
- A 53% stake in American & Foreign Power (22.5%).

The rest of the holdings consisted of miscellaneous assets and over $10,000,000 in prime commercial paper plus EBS Development Corp, newly created in 1961.

President Lester Ginsburg of EBS Development explained his unit has been set up to take full advantage of its status as part of Bond & Share. It will draw on the capital, managerial talents and technical resources of other subsidiaries. He added $10,000,000 of Bond & Share capital had been set aside for this venture among whose aims are "the acquisition of controlling interest in one or more significant industrial companies * * * where satisfactory increased profitability may be developed."

Parent president Walker spelled out further how the rest of the Bond & Share family will contribute to the new subsidiary. A pool of capital is available in the $80,000,000 securities portfolio which over the past seven years boasted an average capital appreciation plus income of 14.5% annually. Managerial talent and the benefits of research facilities are available from the various affiliates. The engineering-chemical service companies are in the business of designing and constructing process plants, electrical generating units and industrial facilities; in addition, Ebasco Services provides management consulting services. Escambia Chemical, EBS's only manufacturing affiliate, has know-how in nitrogen chemicals and plastics.

In the fiscal picture, 59-year-old Walker pointed to Bond & Share's "strong financial position" as reflected in the "increase in surplus of $11,000,000 over the last five years." However, he admitted results of the past year had been somewhat disappointing. Net income for 1960 was $6,300,000 or $1.20 a share compared with 1959's $7,530,000 or $1.43 a share.

President Walker explained the slump in earnings resulted from a nearly 50% cut in dividends received from American & Foreign Power

which lost its Cuban properties. Also cyclical lows in construction of utility plants hit Ebasco Services.

As for Foreign Power's future, George Walker maintained the sale of its Mexican properties in 1960 and recent awards by an Argentine court for properties "will make available over a period of years more than $100,000,000 for acquisitions in industrial and commercial enterprises in these countries." Increased revenues are expected from the switch to non-utility operations which were 11% of income last year.

In the first six months of 1961 Bond & Share assets increased 11% to $185,000,000 but estimated earnings dipped to 52¢ a share from 65¢. The reason: payments by Ebasco Services to its parent still reflect last year's lag though the subsidiary has enjoyed a 57% rise in its service contracts during the first four months of 1961. The other service companies have upped their backlog and Escambia Chemical's first half earnings were up 50% so George Walker is optimistic for the year. And in the light of diversification moves and newfound flexibility, he termed long-range prospects for Bond & Share "most encouraging."

FINANCE
AR&D Adventure

NOT SO LONG ago American Research & Development Company of Boston—the country's "first publicly owned professional venture capital company"—was regarded as an upstart in financial circles. This year it is celebrating its fifteenth birthday with a record deserving of respect.

The company was founded in the Summer of 1946 by five distinguished professional leaders including Ralph E Flanders, then president of the Federal Reserve Bank of Boston and later Senator from Vermont, and MIT's late president Dr Karl T Compton. Since then its initial capital of $3,400,000 has appreciated to an estimated net asset value of $44,000,000 and it has ventured its capital in 71 investment situations, only nine of which (eg, Brunswick Enterprises, a frozen shrimp processor) have not made money. Moreover, earlier this year "ARD" became the first stock of a venture capital company to trade on the New York Stock Exchange.

Vice president William H Congleton, 39, visited Wall Street the other week on the trail of another new venture and paused briefly to discuss ARD policy and some of its recent deals.

"We do not operate to build the shell of a company, make our money and then take over or move on. Rather," he stressed, "we think of our objective as building businesses which will stand on their own. The key is high caliber people with ideas and the desire to build. Money is the tail of the dog that brings us together. After that we follow up with advice, technical help and similar post-investment assistance as needed."

Thus ARD has from the beginning engaged heavily in consulting with its portfolio companies, both through its own personnel and experts hired from outside. Such work is handled by American Research Management Corp, a wholly owned non-profit sub-

sidiary which is ARD's management wearing another hat.

ARD's work is carried on by a full-time professional staff of only seven men. Besides Bill Congleton they are General Georges F Doriot, 61, professor of industrial management at Harvard Business School, who became ARD president in 1946, vice presidents William Elfers, 43, and Henry W Hoagland, 48, along with a secretary, treasurer and staff assistant. Notes Bill Congleton: "Except for myself and our staff assistant, all are veterans from the company's infant years. We'll be adding another full-time man this Summer."

There are currently 41 companies in the ARD portfolio with most in highly technical lines. Among its successes are electrodialysis & desalinization specialist Ionics Inc of Cambridge (IR, May 10), military systems maker Airborne Instruments Laboratory Inc which was merged into Cutler-Hammer in 1958 and Ling Electronics which has sprouted into the ambitious Dallas industrial complex about to become Ling-Temco-Vought. Stellar performer has been High Voltage Engineering Corp of Burlington, Mass. It was organized in 1946 by three MIT professors including High Voltage president Dr Denis Robinson. ARD's investment of $65,000 is now valued at $7,700,000.

Last year the portfolio expanded impressively. Net asset value boasted record appreciation from $23,000,000 or $19.80 a share to $39,000,000 or $25.33 a share after a 3-for-1 split in March 1960. Investor opinion of ARD puts it near $36 a share

Investor Doriot, investee Robinson

on the Big Board or a 26% premium over the March 31 asset value.

Also during 1960 ARD made 14 new investments, the largest number of companies added in one year. Four of these are in relatively non-technical fields although ARD's vice president advises the company is not on a diversification drive and is "more cautious about fields in which we lack experience." The quartet consists of National Equipment Rental Ltd of Floral Park, NY which engages in capital equipment leasing; Cambosco Scientific Company Inc of Brighton, Mass which makes an "Autotutor" and other educational products; Medical Science Communications Development Corp, Manhattan publisher of a weekly newspaper for doctors; newly formed Richards Music Corp of Elkhart, Ind which will specialize in making musi-

cal instruments for young people.

To be discussed in ARD's mid-year report besides a "good second quarter" is sale of the investment in two "mature companies for which we've done our job so that it's time for us to cash in our chips." At the same time six more companies have been added to the portfolio. One of these, Scientific Publishing Company Inc of Chicago has already been announced. Its product is *Industrial Research,* a technical quarterly Bill Congleton describes as "something of a cross between *Business Week* and *Scientific American.*"

ARD also took its first step into the seemingly crowded transistor field (see page 3) but feels Long Island's Silicon Transistor Corp is "a small specialized manufacturer which was well worth waiting for." Other new investments: a company making underwater sound detection systems; another solid state devices corporation; Elion Instruments Inc, a Bristol, Pa maker of measuring & analytical instruments; and "one deal that will really make our stockholders wonder about us," a Midwest farm & garden equipment company.

Perhaps as a sign of its growing up ARD no longer finds itself alone in its field. Today it faces competition both from the "nearly 250" Government-licensed Small Business Investment Companies (SBICs) which have sprung up in its wake since the Small Business Investment Act of 1958 and from the recent popularity of small business public offerings.

Bill Congleton sees no threat to ARD in these developments. He observes "they're not causing us to lose business yet" and continues: "We hope to work with the SBICs rather than against them. As for the public offerings, we've been aghast at some of them recently and think a spirit of caution is highly justified."

Regarding future investments Bill Congleton recalls that throughout its fifteen years "a majority of ARD ventures—and our biggest successes—have come when we had a constructive idea and took it to a company we invested in or helped form a new company to implement it. This experience may be an important factor in any future shakedown. It's a matter of judging what kind of companies need to be developed. That's how the money is going to be made."

COMMODITIES
Weather Worries

THE SAME July 4 sunshine which burned holiday celebrants on beaches and picnic grounds virtually everywhere from sea to shining sea—and had just helped Canadians enjoy a glorious Dominion Day weekend—beat down on the already scorched prairies of the Dakotas, Minnesota, Saskatchewan and Alberta where anxious farmers and livestockmen are weathering one of the driest years in their history.

Crop conditions are rapidly deteriorating and even if precipitation should substantially exceed the "normal" degree predicted for July by the US Weather Bureau, severe damage has already been done to flaxseed, rye, barley and oat crops.

Recent increased trading volume on various commodity exchanges re-

flects anticipated shorter supplies of flaxseed, rye, barley and oats. Prices of all these commodities have risen since mid-June. Sharpest gain was in flaxseed with futures for October delivery jumping 56¢ a bushel to $3.78 on the Winnipeg Grain Exchange.

Both Canadian and US Governments have moved to meet the problem of supplying feed to livestock producers in drought areas where grazing pastures are burning up. The US Agriculture Department has declared a total of 89 counties in the Dakotas and Minnesota "disaster areas" where Federally reserved hay may be harvested. Agriculture Secretary Freeman has also ordered a halt to exports of the Government surplus stocks of barley and oats.

One ironic note: in its desperate search for world markets, Canada earlier this year agreed to ship barley as well as wheat to Red China. This commitment could worsen shortages and might send prices even higher.

METALS

Beryllium Breakthrough

DISCOVERY of beryllium-bearing clays in the Spors-Topaz Mountain area in southwest Utah a year and a half ago was cheery news to the two major US producers, Brush Beryllium Company of Cleveland and Beryllium Corp of Reading, Pa. Their raw material had always been beryl ore (the semi-precious stone aquamarine) imported from Brazil, Mozambique and South Africa. However finding the domestic deposit was only a beginning because the elusive element is always combined with other minerals and its extraction is difficult and costly.

Lowry and Duff confer

Only early last month president Walter R Lowry announced Beryllium Corp is ready to produce beryllium commercially from domestic ores in a joint venture with United Technical Industries of Utah. As a result of a year's crash program, United Technical, a recent amalgamation of several small R & D companies headed by Vincent A Duff, has come up with a chemical process for extracting beryllium oxide directly from the clay. United Technical also has 83 claims in the Utah area (where it had been mining fluorspar) and has developed large reserves of ore.

Competitor Brush Beryllium has a 29½% interest in Beryllium Resources Inc, another company working on the extraction problem. Through a flotation process, it has successfully obtained an ore concentrate which through "a series of mechanical and chemical steps" Brush separates and purifies until it gets beryllium. This multi-step process is still in the pilot stage at Brush

Beryllium's Elmore, Ohio refinery.

The Universal Technical process has been tested through two pilot plants. Construction of a commercial plant in the mining area near Delta, Utah was begun last November. According to Berylco president Walter R Lowry, it should be producing "within the next two months. Before the end of the year a sizable quantity will have been processed—enough to give management a chance to study it on a full-production, economic basis and determine reserve requirements and equipment changes."

Beryllium oxide by itself, refined and purified, has proved a highly successful coating in electronic assemblies because of its extremely high melting point of 4,658°F. More importantly it is the basis for beryllium alloys (combined with copper for instance) or, through extraction of the oxygen, of beryllium metal. The latter has the highest known strength-to-weight ratio (two-thirds the weight of aluminum and three-fourths the strength of steel), thus has enjoyed great Space Age demand for such items as missile nose cones.

Up to now beryllium's biggest drawback has been its cost ($150 a pound in a finished product) owing to its scarcity and difficulty of fabrication. And at least for the present conservative Walter Lowry does not see the cost being lowered by the new domestic supply. In fact, "I'll be happy if I can reproduce beryllium domestically for the same price. I don't think it will cost more than foreign ores but beyond that we'll just have to hope for improvement in the long run."

He adds: "The biggest contribution of the Utah find is a ready domestic supply which makes the US independent of foreign sources. This is particularly important because of beryllium's importance in the defense industry."

BUILDING MATERIALS

Kawneer Sees Rosy Future Through Its Windows

THOUGH it has doubled sales every ten years since its founding in 1906, the Kawneer Company of Niles, Mich which prefabricates aluminum exterior walls is not content with merely maintaining that record. Says president Lawrence J Plym: "If we don't do better than that there are going to be an awful lot of disappointed people around this organization. We expect to double sales in five years."

Kawneer now expects to pursue this goal on its own. After nearly a year of negotiation, a merger into Kaiser Aluminum was proposed early this year which would have given the No 3 prime aluminum producer a direct outlet into aluminum building products. Kaiser has supplied about 25% of Kawneer aluminum requirements in recent years; Reynolds and Alcoa each a somewhat smaller amount. The proposed merger however drew Justice Department opposition and after a while the companies decided to drop the plan.

Ever since its first year when a patent was granted on founder Francis J Plym's invention of a resilient metal sash system for plate glass

store window construction, the company has been a pioneer in metal architectural products. Francis Plym's original window sash was copper, but by 1937 aluminum had become the principal raw material of Kawneer products. Founder's son Lawrence Plym estimates 95% of the new aluminum products in this field were developed through Kawneer's active research program. This emphasis on research has paid since products developed in the last five years account for about half of current sales.

Latest in the line of new products are Zipperwall and the Core System. Zipperwall, a curtain wall system, features structural neoprene gaskets for easy installation of hermetically sealed walls with high insulating value and is suitable for buildings of up to two stories. Because of its rock bottom cost, about $2.50 a square foot installed, Kawneer expects Zipperwall to be used widely over the next few years, particularly in schools and other low budget buildings. The Core System is a building exterior system comprising 14 basic components which can be combined to enclose new construction or to provide a new exterior for an old building.

These two new products, as well as Kawneer's already wide line of aluminum store fronts, exterior curtain walls, window units and door frames are manufactured at plants in Niles, Mich; Richmond, Cal and St Charles, Ill. Distribution is effected through eight warehouses spotted across the country from Boston to Miami to Los Angeles to serve 1,000 dealers. In Canada another 100 dealers distribute architectural products produced by Kawneer Company Canada at its Toronto plant. Kawneer International handles sales in other parts of the world.

A long-range project is annexing new dealers most of whom are glass dealers as well, since glass is an integral part of Kawneer wall systems. Kawneer's advertising, direct mail support and active dealer training program are directed toward expanding the number of its dealers, because they are the link to the high volume market—small buildings.

Monumental Prestige

Monumental buildings represent only a small part of Kawneer's market but they do produce prestige and Kawneer will produce for a skyscraper "anytime we can turn a profit on it." One profitable example: the window-walled Kaiser Center in Oakland, Cal, completed late in 1959.

All told, four-fifths of Kawneer's business is in finished architectural products used in offices, shops or plants. In recent years the company has expanded in two ways, backwards by making more of the intermediate shapes it uses for final fabrication and sideways by making more products for use in homes. The intermediate shapes and aluminum alloys are made by the Aluminum Mill Products division in St Charles, Ill and are sold to outsiders as well as used by other Kawneer divisions. Aluminum Mill Products is also doing research in new aluminum alloys.

Kawneer entered the residential building field last year by acquiring Sun Valley Industries, maker of sliding aluminum & glass doors. Larry

Kawneer encloses Kaiser Center

Plym expects a big boost in home building by the mid-Sixties and intends to participate in the profits. Plans are underway for a number of residential building products.

Kawneer also has some other sidelines: 1) production of precast & prestressed concrete beams by subsidiary Precast Industries; 2) manufacture of parts for Kawneer's manual and automatic (electric eye) door actuating devices by subsidiary South Bend Screw Products which also makes precision equipment for missile and other defense programs; 3) manufacture of aluminum interiors, shelves, trays and identification markings by its Appliance Products division for sale to makers of refrigerators and freezers.

Sales of all Kawneer products amounted to $9,368,000 for the first three months this year, a record for the first quarter. President Plym expects full-year volume to set an impressive new peak of $43,000,000, some 10% better than last year.

With first quarter earnings up to 24¢ a share from 10¢ a year ago, 55-year-old Plym expects second quarter earnings to be around 50¢ a share *v* 44¢ last year. He says, "We are a little bullish about our future." Wall Street followers of the stock anticipate earnings for the year to reach at least $2 a share.

Kawneer's profits reached their alltime high in 1955 when the Aircraft Products division's Government contracts helped bring earnings to $2,083,000 or $2.36 a share on sales of $30,600,000. Earnings fell to $1.37 a share in 1956 and stayed down until 1959 when they rose to $2.01 a share following the discontinuance of the aircraft division, which had suffered substantial losses in competitive peacetime markets. Last year expenses of installing extrusion facilities at the Richmond plant and improvements at the Niles plant lowered 1960 profits to $1,573,000 or $1.68 a share despite a half-million rise in sales to $39,420,000.

Approximately 46% of the 928,000 shares outstanding in Kawneer Company are owned by president Plym and his family, another 5% by the rest of management. Traded on the Amex, the shares rose from last year's low of 13 to 31 early this year based on the Kaiser merger terms. After the engagement was broken Kawneer stock slipped back to 21, recently traded around 24. With the dividend conservatively maintained at 15¢ quarterly since the start of 1960, this leaves the yield at a mere 2.5%.

Brick Heats Up at A P Green

Maker of Refractories Sees Upturn in Use, Has Wide Line Ready

THE A P Green Fire Brick Company of Mexico, Mo is 14 months into its second half century and president William Stewart Lowe says his company is experiencing "a blush of optimism."

The 53-year-old executive sees a pickup in US industry now with steel an important factor. This means demand is rising for the refractory (heat-resistant) brick turned out by Green and its competitors. Green is No 3 in size in the industry behind General Refractories (half again as big) and Harbison Walker (with 2½ times Green's volume).

Refractory brick are used to line practically every kind of furnace or high-temperature container in industry. Biggest consumer of course is the steel industry. Its coke ovens, blast furnaces, steelmaking furnaces and reheating furnaces are lined with the usually light yellow-colored brick. In addition huge ladles and hot-metal transfer railroad cars used by steelmakers are similarly lined.

Apart from steel, refractory brick are also vital to processing of nonferrous metals, glass, pulp & paper, oil and cement among others. They are used in large boilers of all sorts, particularly in the steam generating plants of electric utilities and in big ships.

They are by no means unimportant in the Space Age. Says Bill Lowe: "When astronaut Shepard was squirted up, he did so from a launching pad of our refractories." Brickmaker Lowe explains: "A launching pad obviously has to be made of refractory material. The heat of the blastoff and the terrific impact of the hot gases could cook out the pad. It was up to our men to find refractories which could withstand this sudden heat and the rapid cooling which follows. Most of our material is made to withstand gradual increases in heat." The Green researchers were able to find the right kind. The company also made the refractories for the launching pad for the Saturn heavy space vehicle.

Oxygen Furnaces Beckon

But it is not the glamor of an important contribution to successful missile operation which inspires Bill Lowe's optimism. He knows "we're not going to sell a hell of a lot of refractories for launching pads. There aren't that many pads." From his company's viewpoint the major factors are the overall improvement in business, the increasing use of oxygen in open hearth steel furnaces, and the use of oxygen converters (IR, Nov 12, 1958 *et seq)* which produce steel much more economically than the old open hearths and electric arc furnaces but require complete brick relining every week or ten days.

Bill Lowe contends Green is in a good position to take advantage of increasing demand for refractories: 1) Green now presents a complete line of refractories; 2) it has manufacturing plants in all important re-

Brickmaker Bill Lowe

fractory-consuming areas in the US and many abroad and 3) it has warehouses and dealers all over the country and in many foreign lands.

It was not always so. For its first 40 years Green had only one plant in the US and shipped throughout the nation from headquarters in the small (pop 11,000) town of Mexico in central Missouri. That plant still dominates all others in the Green empire and the company calls it "the world's largest fire brick plant." It employs 1,200, has over 26 acres under roof and turns out some 70,000,000 of the company's 146,000,000 brick a year.

This is vastly different from the "tiny, faltering" brickworks which founder Allen P Green (he died in 1956) bought in 1910. But then as now, the Mexico plant sits adjacent to some of the world's best deposits of fire clay, the alumina-bearing clay most in demand for making refractories. In the early days the mining was underground and laborious. Now it is done by the open strip method; huge earth moving machines, explosives and heavy trucks handle the process efficiently.

Trucked to the factory, the clay is ground, screened and blended with other clays to give it the varied properties needed for its different uses. Three main methods are employed to form it into bricks. Most important is the dry press method. The clay is simply pressed into molds by power-driven plungers. Next most important, at least in quantity, is the stiff mud process where moist clay is extruded through a die; then wire cutters slice off chunks in the exact size of brick desired. Some special shapes required for important structural tasks in furnaces call for hand molding. The clay is pounded into a mold either by hand-powered or air-powered hammers.

The brick are then dried and ready for the most important step, firing. In the tunnel kiln which is faster and more modern, the brick are gradually run through a long gas-burning furnace on small railroad-type flatcars; in periodic kilns, the bricks are set by hand in a beehive oven the size of a two-story house, fired by hot gas from above. It is firing which turns the soft clay into hard, heat-resistant brick.

Naturally, chemical and physical testing for quality control are important throughout the process. Aside from lab facilities for such testing, Green recently completed a new research center next to its white-

brick, Colonial-front headquarters building in which it is pursuing both new product and fundamental research. For the latter task the company has X-ray diffraction, microscopic and X-ray fluorescent equipment to study properties of refractory minerals.

Green expanded outside the US long before it sought other plants in this country. It has been in Canada since 1933, Argentina since 1935 and Brazil since 1945. Green also has plants in the other Mexico, Chile, Uruguay and Britain. Its first US move was to acquire Valentine Fire Brick Company of Woodbridge, NJ, in 1950. This plant can turn out 24,000,000 brick a year. There are now also three plants in Pennsylvania, three in southern Ohio and one each in Troy, Idaho; Macon, Ga; Pueblo, Colo; Birmingham, Ala and Sulphur Springs, Texas.

Extras for Brick Users

Most of these plants have something extra to offer Green besides proximity to consumers. The Jersey plant uses semi-silica clay which makes brick particularly resistant to shrinkage at high temperature. The Jackson, Ohio plant uses silica pebble to make silica brick. At Climax, Pa, the special shape known as a tuyere, an air inlet used in Bessemer process steelmaking, is turned out. The Philadelphia plant of its Remmey division handles orders from all over the world for refractories made of exotic materials such as zircon, silicon carbide and tabular alumina products.

But the two plants which have helped Green to round out its line were both completed within the last year. These are the $2,500,000 basic refractories plant in Tarentum, Pa near Pittsburgh and the $500,000 plant for producing tar-bonded dolomite-magnesite refractories added to the existing works at Pueblo.

The "basic" in basic refractories is a chemical term to distinguish it from acid. The brick is generally made from magnesite, chrome or a combination of the two and is necessary to withstand the higher temperatures in open hearth steelmaking furnaces. Tar-bonded dolomite-magnesite brick are the ones which are used in oxygen furnaces.

With these products in hand, Bill Lowe looks for "a couple of real good years." He declines to predict 1961 though he will admit he expects it to be "better than 1960." Last year Green had sales of $39,900,000 and net earnings of $2,012,000 or $1.81 a share. Sales were up a shade from the previous year but earnings were off from the $2.47 of 1959 and well below the record $3.55 of 1957.

Green stock is also off from its alltime high. It now sells around 24 *v* a 1959 peak of 32¾. About half of the 1,042,000 shares are held by the Green family and foundation it controls. Vice president-secretary Walter Staley says the Green board has periodically scanned the question of listing the stock but does not feel distribution is wide enough to warrant it now. There are 2,400 shareholders.

Well-traveled president Bill Lowe, a ruggedly built, athletic-looking man, is an electrical engineer by

training (South Dakota State), started out as a math instructor and football coach at Flandreau, SD High School, moved to General Electric for nine years, while teaching on the side as dean of students at Bridgeport Engineering College in Connecticut. Stints followed as assistant factory manager at SKF Industries in Philadelphia, president of Winsted (Conn) Hardware Manufacturing Company and treasurer and general manager of American Transformer Company in Newark. He came to Green as executive vp and general manager in 1949.

As befits a former coach, Bill Lowe uses the pep talk in his five-times-a-year column in the company's magazine for sales personnel. Said he recently: "The theme 'Green Means Go!' was not just a slogan to build a [sales] meeting around but should have continuing significance for us * * * We have the products, the facilities and the manpower to enable us to 'Gō' for new sales records. We've got the green light."

The Wide Sights of Siegler

An Eye for Mergers, Defense Participation Seen Keys to Growth

WITH BOOKS just closed on the strictly unheroic June 1961 year, president John Gaunt Brooks of Siegler Corp is already looking to 1962. Over the long distance phone from Los Angeles last week he declared: "Based on everyone's prediction—and we agree—that the economy is going to continue better, next year will be a banner one for us." Although he would not be pinned down to dollars & cents predictions, he confidently added: "1962 will be the best in both sales and earnings Siegler has ever seen."

In its present corporate state, Siegler is only 6½ years old and counts electronic equipment as its chief stock in trade. This category comprised 75% of sales last year. However before Siegler went public under a new management team in 1954 and started pursuing a course of "aggressive acquisition," it had spent 33 years as a small maker of space heating equipment. Last year only 18% of overall sales came from heating and cooling equipment but in dollar terms that portion was 2½ times as great as the total sales of 1954.

The main reason for the six-year spurt from $6,580,000 sales to the neighborhood of $95,000,000 in the year just ended is the acquisition of no less than ten companies in the interim. The newest member of the family is Jack & Heintz, Cleveland aircraft & missile component maker, which was merged in February. Best known in the aviation field for its electric power-actuating and generating systems, J&H has lately brought its know-how down to earth. Last month it received a $200,000 prototype contract to install its AC electric drive system on an Army M-34 truck. The system consists of a small motor on each wheel which

eliminates the need for heavy axles, transmissions, certain steering mechanisms, gear boxes and conventional brakes and would reduce the weight of a two-and-a-half ton truck by as much as 1,800 pounds.

But Siegler has by no means taken its eye off the sky. Through its Hallamore electronics division, it has furnished equipment to a multitude of missile programs as well as NASA's satellite and space vehicle communications network. Thanks to nine rugged Hallamore TV cameras strategically placed on the Redstone rocket's AP Green-cast (see page 15) launching pad, astronaut Shepard's take-off and first moments aloft were faithfully recorded for science, the public and posterity.

Fastest-growing division is Hufford which makes specialized machinery and aero-space components such as tracking antennae. Best known products are its Spin Forge metal-working machines which fabricate out-sized domes, cones, tanks and the like in a minimum of pieces. Hufford has built them for Marquardt, GE, Lockheed and Fairchild, last year installed a new 120-inch Spin Forge facility, the largest in existence, at its own El Segundo plant. One recent job: spin-forging the case for the Minuteman missile's motor.

Missile & space programs always make glamorous examples but actually military and defense business is currently only 35% of Siegler's sales. However this is up from 22% in fiscal 1960 and president Brooks thinks it will be as high as 40% this coming year.

John Brooks ponders prospects

Of the nearly two-thirds of sales which find commercial markets, a goodly portion comes from the Olympic radio & television division. John Brooks claims Olympic is the largest maker of three-way sets (radio, TV, phono) with 30% of the market; it also has a full line of single units. In April the division opened an additional 200,000 squarefoot assembly plant on Long Island "to accommodate its growth." One commercial item which was thought to be a real bonanza several years ago (IR, Nov 11, 1959) has been a little slow to catch on. It is the swept voice-band transmission measuring set used for testing lines in telephone central offices. John Brooks admits, although "the sets have been bought every month and our sales are rising, they are nowhere near what we thought they would be by now." Then he reminds:

"Of course it's a piece of capital equipment—which companies don't buy during a recession." He still sees potential there "and as far as we know we haven't much competition."

Besides its good-sized heating and cooling equipment business, Siegler also makes public address systems, tape recorders and hi-fi & stereo components at its Bogen-Presto division and ultra-sophisticated automatic control systems for nuclear age creations at its Magnetic Amplifiers division. If all of these activities are not enough to keep John Brooks and his colleagues busy, they can check up on the Comet division, maker of home and professional woodworking and metalworking equipment or The Community Antenna Company in Reno which operates a closed circuit television system. It came to Siegler as part of the 1957 acquisition of Unitronics whose primary units were Olympic and Bogen-Presto. The Hallamore division has also built and is operating a closed circuit TV system. It covers 21 schools in Anaheim, Cal. It has been quite successful so far and John Brooks thinks educational TV stations "are going to be big one of these days."

At this point, the 48-year-old chief executive sees Siegler's future growth "very broadly, in defense systems. Fiscal 1962 is going to be a real fine year defense-wise * * * we have gotten in on the programs we wanted. Defense is a part of our economy today and will be for years to come." Although grateful for Government business and aware of its importance, he does not want to become dependent on it "because there are factors involved which are not under our control. We feel safer with our non-defense business over 50%" of total volume.

As to making any further acquisitions, John Brooks allows "we have plans for the next five years which include expansion" through picking up other companies. Their business "would be related to fields we are in, primarily electronics. Any new products should fit into either our present sales organization or our manufacturing facilities."

Final figures for fiscal 1961 ended last month have not been fully audited as yet but it looks as if sales will be pretty close to $95,000,000. Because recently merged Jack & Heintz was on a calendar year basis (with $23,000,000 volume in 1960) there are no comparable figures for the prior year but Siegler alone grossed $84,100,000 in fiscal 1960. Effects of the recession and the fact Siegler chose to write off merger costs and Olympic's new plant start-up expenses all at once meant lower earnings for fiscal 1961. President Brooks frankly says: "We're not going to try to be heroes this year—we'll do it all next year." Adjusting for a 3% stock dividend paid in June, John Brooks favors an estimate close to $1.20 on each of the 2,281,000 common shares now outstanding. Last year, excluding J & H, Siegler earned $1.66 on 1,938,000 shares.

Siegler stock, listed on the Big Board under the symbol SGL, has been recently quoted around 28 but went as high as the mid-forties in 1959 and 1960. The original offering in 1955 was made at 11.

Richardson-Merrell's Worldwide Scope

New Moniker And New Drug Point Up Changes at RXM

INTERNATIONALLY KNOWN cold fighter Vick Chemical has just completed the first fiscal year under its new name of Richardson-Merrell Inc. Appropriately, since the change was undertaken last Fall to get away from the old image of the company as simply a proprietary cold fighter (IR, Sept 14, 1960), fiscal 1961 will also be the first year in which volume of ethical & veterinary drugs at least matched and perhaps slightly exceeded sales of proprietary items. While final figures are still being compiled, each of these major groups brought in about 45% of Richardson-Merrell volume with chemicals and plastics accounting for the rest.

At company headquarters across 42nd Street from Grand Central Station 41-year-old president Henry Smith Richardson Jr, back from a quick trip to South America and shuttling between a series of year-end meetings, two weeks ago briefly restated the developments which brought the name change: "While Vick proprietary items continue to be a major part of our operations, the overall picture of our company has changed radically in the last two decades."

Besides its original proprietary business now centered around VapoRub, Vick's cough drops, Vatronol nose drops, etc and supplemented by such acquisitions as Clearasil and Lavoris, the company now includes four ethical drug divisions: the Wm S Merrell Company of Cincinnati, National Drug Company of Philadelphia, Walker Laboratories in Mt Vernon, NY and Merrell-National (Overseas) Laboratories which sells ethical drugs of all three domestic units. There are also two veterinary divisions, Hess & Clark in Ashland, Ohio and Jensen-Salsbery Laboratories in Kansas City, Mo; a fine chemicals maker, J T Baker in Phillipsburg, NJ and a plastic container producer, Extruded Plastics in Norwalk, Conn.

The new title also brought a Big Board ticker switch from VIK to RXM, a neat extra touch emphasizing the company's growth in prescription drugs. It mates the names of VapoRub inventor Lunsford Richardson (Smith Richardson's grandfather who founded Vick in 1905) and 132-year-old ethical drug maker Merrell Company, acquired by Vick in 1938.

Having set new records in its last year as VIK, the company quickly proceeded to climb yet higher peaks in its first RXM year. In the nine months ended March sales reached \$116,200,000, up 12%, and earnings \$2.25 a share *v* \$2.10 the year before. Financial vp Arthur L Boschen supplements: "Volume in April and May was ahead of a year ago and the trend is continuing." Although Art Boschen hesitates to give full-year estimates, Wall Streeters expect Richardson-Merrell sales to run close to \$150,000,000 as against \$132,300,000 in fiscal 1960 and

earnings to be around $2.75 a share compared with $14,380,000 or $2.42 a share last year.

The boost in 1961 ethical drug volume in the last year comes "importantly" from the Merrell division's anti-cholesterol drug MER/29. The company notes whereas other drugs in this field speed up the body's excretion of cholesterol, MER/29 works on a different principle: inhibition or blockage of cholesterol biosynthesis. In other words, it regulates production of cholesterol by the body itself. And the amount of internally produced cholesterol is thought to greatly exceed that coming in from dietary sources. This regulation of cholesterol synthesis leads to substantial reduction of cholesterol in the tissue and blood.

Merrell officials proudly state MER/29 has been clinically tested for more than two years and studies demonstrate lack of significant side and after effects. The company feels it has an advantage "with no major competitive drug on the market as yet." But realistically it is aware "competition in the near future may be keen." One probable competitor is Baxter Labs' Choloxin now marketed in Canada and a number of foreign countries and awaiting FDA approval for the US.

While Art Boschen admits "MER/29 is Richardson-Merrell's largest selling ethical product and is expected to continue its market growth," it is far from the company's only stake in the ethical field. The National Drug division which specializes in enzymes developed a highly pure form of trypsin, a natural enzyme, for use in relief of inflammation and swelling. This product has been further perfected and is now available in an oral form known as Orenzyme. Art Boschen notes "it is going very well" and is among National's top drugs.

Another "potentially important" product is Merrell's Kevadon. This is a non-toxic, non-barbiturate hypnotic or sedative. It is now being marketed in Canada and may soon be available in the US.

Top Seller

In the proprietary field the Vick Products division introduced Formula 44, a non-narcotic cough suppressant, late in 1959. Today it ranks as the top seller in the proprietary cough syrup field. It even outsells "Vick's Improved" cough syrup "which now ranks No 2."

In the veterinary field nf-180, a nitrofuran (purchased under a long-term contract from Norwich Pharmacal) has found varied and widespread application in animal feeds and medications. A particularly big use is in poultry feeds. Art Boschen amplifies: "We're now moving into the larger animal area where sales to feed manufacturers could be impressive."

To foster a continual flow of new drug products Richardson-Merrell budgeted about $5,500,000 for research in fiscal 1961 with the greatest expenditures heavily weighted in the ethical drug area. This comes to about 3-to-4% of sales which Art Boschen concedes "may look low compared to strictly ethical drug companies. But if you took just our

thical volume and related it to our esearch in that field, the ratio would ompare quite favorably with the ndustry."

Supplementing its own research RXM carries on an aggressive pro-ram for securing product ideas rom outside sources. It maintains esearch contacts throughout the vorld and enjoys the long-estab-ished research and marketing facil-ties of its Vick products line.

It markets products secured from outside sources in all four segments of its business. A recent example is an improved appetite control drug acquired by license from German chemical-drug company Temmler-Werke and marketed by the Merrell division as Tenuate and by National Drug as Tepanil. Art Boschen ex-plains: "This marketing under two names by two divisions gets the argest potential market."

Aside from its basic stress on re-search and product development Richardson-Merrell in the last six years has carried on an intensive acquisition program which has added seven proprietary, veterinary and ethical drug companies since 1955. The most recent are Clearasil which further expands and diver-sifies the proprietary end of the business and Laboratorios Moura Brasil-Orlando Rangel, SA, one of Brazil's oldest ethical pharmaceu-tical companies. President Smith Richardson explains: "We look upon acquisition as one of our regular avenues of growth along with re-search and acquisition of products from outside. This we feel will be our continuing policy."

Basic to this program is a strong cash position: "To take advantage of new acquisition opportunities overseas we must be able to pay cash." Among other reasons, for-eign owners do not face the capital gains tax problems which make ex-change of stock so attractive to many US holders.

RXM has ample cash on hand; working capital stood at $47,000,-000 as of the last annual report and "has been strengthened since." This is part of the company's traditional strong financial position which shows no debt or preferred ahead of the 5,959,000 common shares and boasts total assets of $113,000,000 and tangible net worth of $72,000,-000.

Smith Richardson, a Phi Bete

In German it is 'Wick'

from Yale who has headed the drug company since 1957, cites one other RXM fundamental acquisition approach: "We like to control the operation." The company has but one joint venture (in Brazil, Baker division and Herzog Productos Quimicos Ltd). The company continues constant investigation of merger prospects but "there is no new acquisition we can talk about."

Aside from external growth Richardson-Merrell is also continually building from within. Capital expenditures this year will run "close to $5,000,000 and next year will be about the same."

But like many American companies Richardson-Merrell feels its fastest growth will come from abroad where the rise in population and income is fast increasing potential customers. Currently foreign sales in Canada, Australia, New Zealand, Western Europe, the Far East, South America and Africa account for one-fifth of total volume. To facilitate overseas operations Merrell-National (Overseas) Labs was set up in 1956. This is in addition to the well entrenched Vick International division which has sold Vick proprietary cold remedies on foreign shores since 1918.

Richardson-Merrell has also provided warm but traditionally conservative treatment for its 12,800 stockholders. Over the last five years it has paid out an average of 30% of earnings. Currently dividends are 25¢ quarterly but since this rate has been maintained right through the 4-for-3 stock split last November, this represents a one-third increase over the rate in effect a year ago. Smith Richardson promises: "As earnings increase to a level we feel is permanently higher, dividends will increase correspondingly to reflect the higher earnings."

Looking ahead into 1961 young chief Richardson believes "growth of sales and earnings will continue." Growth may not be at the same rapid pace of the last five years during which earnings more than doubled but Art Boschen is confident "growth will continue."

RXM stock reflects management's confidence. It has climbed from 12 in 1957 and 57 in early 1960 to an alltime high of 108¾ this April. More recently, along with many drug and similar growth stocks, it has eased noticeably. But at last week's price of 86, it still sells at a bit over 30 times estimated earnings; its growth-type yield is 1.2%.

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NAFI NAVY

This miss seems content with her 17-foot Chris-Craft "ski boat," at $3,000-plus one of the most modest craft put out by the famed builder of sleek pleasure boats. Chris-Craft Corp, which a year ago April became by far the most important and profitable asset of newly directed, newly named NAFI Corp (formerly National Automotive Fibres), starts with a $2,600 line of 17-foot inboards and runs up to 66-foot cruisers selling for $160,000 or more. Its most popular models are 28-foot Constellations. This has proved a fortunate product mix for Chris-Craft and its new parent. While the recent recession put a serious crimp into the boating boom and especially the outboard and small-boat classes have yet to recover, Chris-Craft was only "affected moderately by the downturn" and improvement set in early this Spring.

NAFI gives no profits breakdown but an interesting clue is, even after allowing for a number of special factors, Chris-Craft alone earned $3,790,000 on $46,800,000 sales in the year ended August 1960 while NAFI in calendar 1960 (including nine months of Chris-Craft) netted only $1,780,000 or $1.42 a share on $58,400,000 sales.

But NAFI still has a sizable automotive division (carpeting, interior trim, seat backs, etc) which now also supplies carpeting and foam rubber products to non-auto users. In addition NAFI owns three TV stations and wants to expand this operation; it has contracted to sell its one radio station, Houston's KXYZ, which was acquired only a year ago. NAFI also has an 83%-owned subsidiary with oil & gas properties which it would like to sell to help pay off the $18,000,000 in notes still outstanding from the $40,000,000 Chris-Craft acquisition.

Aside from a 25¢ special in January 1960, no dividends have been paid since 1956 but management "will consider" resumption if it manages to refinance the Chris-Craft notes. NAFI's 1,200,000 common shares have ridden a wavy course, being swept from 13 to 66 in the first half of 1960, then sinking back to 27, reaching a 1961 crest of 41 and now selling around 33.

PURSUIT OF HAPPINESS

Aristotle, who was no cynic but a keen student of human nature, clear of eye and concise of statement, wrote: "Happiness is prosperity conjoined with virtue."

Virtue, of course, is each man's private problem and not his broker's business. But prosperity is another matter. Prosperity is in our bailiwick.

We're perfectly willing to agree that there are people who are happy even though they are not prosperous, but few indeed are those in the Western world who would deliberately turn their backs on wealth. Fortunately or not, Thoreaus are few and far between.

If you are eager to achieve prosperity, perhaps we can help by suggesting investments to suit your circumstances. Not that investing itself is an infallible road to wealth. It's simply a way of putting your money to work to earn more money, a way of undertaking certain financial risks in the hope of a reward. There is no guarantee of profit, but we'll help you take as much of the guesswork as possible out of investing by providing you with information about companies and industries that interest you. The rest is up to you.

Whenever you decide to undertake the pursuit of Aristotelian happiness, won't you let us know?

Accepted as controlled circulation publication at POUGHKEEPSIE, N. Y.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Please send address changes to
Western Printing Co., Poughkeepsie, N. Y.